

01-20-2006

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U.S. DEPARTMENT OF COMMERCE

Patent and Trademark Office

1/19/06 TI



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To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies):

KMC Acquisition Corp.

☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☒ Corporation – State - Delaware
☐ Other _____

Add'l name(s) of conveying party(ies) attached? ☐ Yes ☒ No

2. Name and address of receiving party(ies):

Additional name(s) & address(es) attached? ☐ Yes ☒ NoName: KMC Products, Inc.Internal Address: c/o Robert L. HandlerStreet Address: 16830 Ventura Blvd., Suite 310City: Encino State: CA ZIP: 91436☐ Individual(s) citizenship ☐☐ Association ☐☐ Limited Partnership ☐☒ Corporation - State California☐ Other: ☐

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☒ No
 (Designations must be a separate document from Assignment)

3. Nature of conveyance/ Execution Date(s):

Execution Date(s): 10/3/05

☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Other _____

4. Application number(s) or registration number(s):

A. Trademark Application No.(s) 78/411,260; 78/425,412;
78/425,436; 78/411,276; 78/622,076; 76/355,632, and
 Additional numbers attached? ☒ Yes ☐ No (attached as Exhibit A)

B. Trademark Registration No.(s) 2,283,475; 2,298,513;
2,427,300; 2,233,042; 2,159,534; 2,731,970; and

C. Identification or Description of Trademark(s)

Please see list of trademarks attached as Exhibit B

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Robert L. Handler

Internal Address:

Ezra Brutzkus & Gubner, LLPStreet Address: 16830 Ventura Blvd., Suite 310City: Encino State: CA ZIP: 914366. Total number of applications and registrations involved: 417. Total fee (37 CFR 3.41)..... \$ 1,040.00☒ Enclosed – **PREVIOUSLY PAID**☐ Authorized to be charged by credit card

8. Credit Card:

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Robert L. Handler

Name of Person Signing

Signature1/16/06
DateTotal number of pages including cover sheet, attachments, and document: 11

Exhibit A – Item 4 Continuation

4. Application number(s) or registration number(s):

A. Trademark App. No.(s) – list continued from page 1

76/118,636

78/436,227

78/513,120

78/448,074

78/435,538

78/443,206

78/417,708

78/443,192

78/412,310

78/475,442

78/417,702

78/417,696

78/448,349

78/412,276

78/448,058

78/448,330

78/475,441

78/417,706

78/407,992

78/513,133

78/412,281

78/448,055

B. Trademark Reg. No.(s) – list continued from page 1

2,884,022

2,913,759

1,982,057

2,981,358

2,971,344

2,970,764

2,985,749

Exhibit B – Item 4 Continuation

C. Identification/Description of Trademarks

Trademark Application Nos. – Trademark

78/411,260 – KMC
78/425,412 – SR KMC RACING
78/425,436 – XD SERIES
78/411,276 – KMC
78/622,076 – KMC BUZZ
76/355,632 – SPINTEK
76/118,636 – METAL OBJX
78/436,227 – CUSTOM RIMS BY KMC
78/513,120 – ROCKSTAR BY KMC
78/448,074 – LIKE NO OTHER
78/435,538 – LORENZO (& design)
78/443,206 – EXTREME RIDES
78/417,708 – XD SERIES
78/443,192 – FAMOUS RIDES
78/412,310 - SPINTEK
78/475,442 – THE ONE AND ONLY
78/417,702 – SR KMC RACING
78/417,696 – SR KMC RACING
78/448,349 – “Circular Arrows” design
78/412,276 - KMC
78/448,058 – LIKE NO OTHER
78/448,330 – “Circular Arrows” design
78/475,441 – THE ONE AND ONLY
78/417,706 – XD SERIES
78/407,992 – THE ONLY BRAND THAT MATTERS
78/513,133 – ROCKSTAR BY KMC
78/412,281 - BUZZ
78/448,055 – SPINTEK

Trademark Registration Nos. – Trademark

2,283,475 – REBEL
2,298,513 – K KMC WHEEL COMPANY (& design)
2,427,300 – 562
2,233,042 – MOTION ALLOY WHEELS
2,159,534 – LIKE NO OTHER
2,731,970 – LORENZO (& design)
2,884,022 – RIMWEAR
2,913,759 – SUPERLIP
1,982,057 – OFFENDING SINCE 1982
2,981,358 – SUPERLIP
2,971,344 – RIMWEAR
2,970,764 – “Circular Arrow” design
2,985,749 – LORENZO (& design)

THE TERMS AND CONDITIONS OF THIS SECURITY AGREEMENT ARE SUBJECT TO THE TERMS AND CONDITIONS OF THE SUBORDINATION AGREEMENT (AS DEFINED BELOW).

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Security Agreement"), dated as of October 3, 2005, by and between KMC Acquisition Corp., a Delaware corporation ("Debtor"), having a mailing address c/o Wheel Pros, Inc., 44 Union Blvd., Suite 620S, Lakewood, Colorado 80228 and KMC Products, Inc., a California corporation ("Secured Party") having an address at c/o Robert L. Handler, 16830 Ventura Blvd., Suite 310, Encino, CA 91436.

RECITALS

The Debtor, simultaneously with the execution and delivery of this Agreement, has executed and delivered to the Secured Party a [REDACTED]

[REDACTED] It is a condition precedent to the consummation of [REDACTED] that the Debtor execute and deliver this Agreement.

NOW THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Secured Party and Debtor agree as follows:

1. Definitions.

1.1 "Collateral." The "Collateral" shall consist of (and mean for purposes hereof) all Intellectual Property (as defined below) and the proceeds thereof. For the avoidance of doubt, the Collateral shall not include inventory or accounts (as those terms are respectively defined in the Colorado UCC (as defined below)). The Collateral shall also not include licenses granted by third parties as licensor.

1.2 "Intellectual Property" means all of the following, but only to the extent same are part of the Acquired Assets (as defined in the [REDACTED]), each, to the extent that they exist as of the date hereof: (a) all wheel designs, styles, and molds, including the following product lines and styles: "XD Series," "Lorenzo," "Spintek," "SR," "Hotwheels," "KMC" and "KMC BRAND," (b) all inventions, all improvements thereto and all patents, patent applications, and patent disclosures, together with all reissues, continuations, continuations-in-part, divisions, revisions, extensions, and reexaminations thereof, (c) registered and unregistered trademarks, service marks, trade dress, trade styles, logos, trade names, and corporate names (including "XD Series," "Lorenzo," "Spintek," "SR," "KMC" and "KMC BRAND,"), including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (d) all copyrightable works and copyrights and all applications, registrations and renewals in connection therewith, (e) all product and part names

and numbers, model names and numbers and "style" names and numbers, (f) all domain names, url's, and registrations in respect thereof and (g) all copies and tangible embodiments thereof.

1.3 "Permitted Liens" means: (a) security interests granted from time to time to the Lender(s) (as defined below) provided such security interests are junior to the security interest created hereunder and are subject to the Subordination Agreement and (b) tax liens for taxes not yet overdue or for taxes being contested in good faith and for which any reserves required to be established with respect to such dispute by generally accepted accounting principles as adopted in the United States have, in fact, been established. "Lender(s)" means any parties who are at any time lender(s), and the agent(s) of such lender(s), to the Debtor, to the Debtors' parent corporation or to other affiliates of the Debtor

1.4 "Subordination Agreement" means, respectively, (i) the Subordination Agreement by and between the Secured Party and [REDACTED] of even or substantially even date herewith, as same may be amended, supplemented, restated or otherwise modified from time to time and (ii) any subordination agreement in replacement or substitution of or in supplement to either (a) the Subordination Agreement referred to in clause (i) or (b) any subordination agreement referred to in this clause (ii), as any of same may be amended, supplemented, restated or otherwise modified from time to time.

1.5 "Obligations." This Security Agreement secures the following (collectively, the "Obligations"):

(i) Debtor's present and future obligations under [REDACTED] and this Security Agreement; and

(ii) the repayment of any expenditures that Secured Party, including but not limited to reasonable attorneys' fees and disbursements, may make under the provisions of this Security Agreement for the benefit of Debtor or to enforce its rights under this Security Agreement.

1.6 UCC. Any term used in this Agreement that is not capitalized shall have the meaning provided by the Uniform Commercial Code ("UCC") as adopted in the State of Colorado (the "Colorado UCC") to the extent same is used or defined in the Colorado UCC.

2. Grant of Security Interest.

Debtor hereby grants a security interest in the Collateral to the Secured Party to secure the payment of all Obligations.

3. Perfection of Security Interests

3.1 Filing of Financing Statements and Other Actions.

(i) Debtor authorizes the Secured Party to file one or more financing statements describing the Collateral, to file appropriate notices of its security interest in the Collateral with the U.S. Patent and Trademark Office and the U.S. Copyright Office,

and to take such other actions as the Secured Party may reasonably determine to be necessary or desirable in connection with the preservation, protection, and perfection of the security interest granted hereunder.

(ii) Debtor agrees to promptly execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Secured Party may from time to time reasonably request to better assure, preserve, protect and perfect the security interest granted hereunder. In the event that the Debtor shall fails to take any such requested action, the Debtor hereby grants to the Secured Party a power of attorney to take such actions on behalf of the Debtor.

4. Certain Post-Closing Covenants and Rights Concerning the Collateral.

4.1 Inspection. To the extent applicable, the Secured Party may inspect any Collateral at any time upon reasonable prior written notice (provided that no notice shall be necessary if an emergency or an Event of Default then exists).

4.2 Limitations on Obligations Concerning Maintenance of Collateral.

(i) Debtor has the risk of loss of the Collateral.

(ii) The Secured Party shall have no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral.

4.3 No Other Security Interests Except Permitted Liens. Debtor agrees not to grant or permit any other security interest (or otherwise permit lien or other encumbrance in or on any of the Collateral except for (i) the security interests granted under this Agreement and (ii) Permitted Liens. Debtor shall not transfer the Collateral to any party except [REDACTED] without the prior written consent of the Lender provided, that (1) the Company shall have the right to grant licenses in the Collateral in the ordinary course of business and (2) nothing contained herein shall be interpreted or construed to limit the right of the Company [REDACTED] to use and transfer the proceeds of any Collateral. In the event that the Debtor transfers any Collateral to [REDACTED] the Debtor shall (a) give to the Secured Party at least 20 days prior written notice of such transfer and (b) cause [REDACTED] to become bound by this Agreement as it relates to such Collateral pursuant to a joinder agreement in form and substance reasonably satisfactory to the Secured Party.

4.4 No Name Change. Debtor shall not change its legal name without giving the Secured Party at least ten (10) days prior written notice of such change.

4.5 No Assumption of Liability. The security interest hereunder is granted as security only and shall not subject the Secured Party to, or in any way alter or modify, any obligation or liability of Debtor with respect to or arising out of the Collateral. Nothing contained in this Agreement shall, or shall be interpreted to, limit the terms and provisions of [REDACTED]

5. Debtor's Representations and Warranties; Security Interest.

5.1 Debtor represents and warrants to Secured Party that:

(i) The chief executive office and principal place of business of the Debtor is located in the State of Colorado (the "Chief Executive Office State"); and

(ii) the Debtor's state of organization ("Debtor's State") and exact legal name, and a proper mailing address for the Debtor, are as set forth in the first paragraph of this Security Agreement.

5.2 Security Interest. (i) The security interest granted hereunder is a legal, valid and attached security interest in the Collateral, and (ii) upon filing of a financing statement describing the Collateral in the Debtor's State and the filing of appropriate notices with the U.S. Patent and Trademark Office and the U.S. Copyright Office, such security interest will constitute a perfected security interest to the extent perfection in the Collateral may be obtained by the filing of a financing statement and such notices, prior in right to all other liens on the Collateral.

6. Events of Default.

The occurrence of any of the following shall constitute an Event of Default:

6.1 Any Event of Default as defined in the Note;

6.2 Debtor's failure to comply with any of the provisions of this Security Agreement and such failure shall continue for a period of thirty (30) calendar days following notice thereof from the Secured Party provided, that, if Debtor has not cured such failure in such thirty (30) day period but is using reasonable efforts to so cure, then the Debtor shall have an additional thirty (30) days (for a total of 60) to cure such failure before same becomes an Event of Default; or

6.3 Any representation or warranty of Debtor under this Security Agreement shall prove to have been incorrect, untrue or misleading in any material respect when made

7. Remedies Upon Default.

7.1 If an Event of Default shall occur and be continuing, the Secured Party may exercise, in addition to all other rights and remedies granted to the Secured Party in this Security Agreement, or in any other instrument, agreement or other document or under other applicable law, all of the rights and remedies of a secured party (with respect to the Collateral) under the Uniform Commercial Code. Without limiting the generality of the foregoing, the Secured Party may sell or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, for cash or on credit or for future delivery, without assumption of any credit risk. To the fullest extent permitted by applicable law, the Secured Party may be a purchaser at any such public sale. The Secured Party shall apply the net proceeds of any such disposition (i) first to the reasonable expenses of retaking, holding, preparing for sale and the like, including without limitation reasonable attorneys' fees and disbursements, (ii) second to the payment of the Obligations (whether matured or unmatured), in such order as the Secured Party may elect, and (iii) only

after such application under clauses (i) and (ii) and after the payment by the Secured Party of any other amount required by any provision of law, must the Secured Party account for the surplus, if any, to Debtor. Debtor waives the right to receive notice of any disposition by the Secured Party of any Collateral in accordance with the terms and provisions hereof except for notices of disposition required by the UCC. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten (10) calendar days before such sale or other disposition. Debtor shall remain fully liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and expenses of the Secured Party. Nothing contained in the immediately preceding sentence shall be interpreted or construed so as to require the Secured Party to realize upon the Collateral or to enforce any guarantee of the Note prior to attempting to collect any of the Obligations, and the Secured Party may exercise all of its various rights and remedies in such order and manner as the Secured Party, in its discretion, shall deem advisable.

7.2 Subordination Agreement. Anything contained in this Agreement to the contrary notwithstanding, the various rights and remedies of the Secured Party upon or during the continuance of an Event of Default are subject to the terms and conditions of the Subordination Agreement.

7.3 No Waiver. No delay or omission by the Secured Party to exercise any right or remedy accruing upon any Event of Default shall: (a) impair any right or remedy, (b) waive any default or operate as an acquiescence to the Event of Default, or (c) affect any subsequent default of the same or of a different nature

7.4 Reinstatement. To the extent that the Secured Party receives a payment on the Secured Obligations and which payment is thereafter set aside or required to be repaid by the Secured Party in whole or in part, then, to the extent of any sum not finally retained by the Secured Party (regardless of whether such sum is recovered from the Secured Party by Debtor, Debtor's estate or trustee or any party acting for, on behalf of or through Debtor as Debtor's representative), Debtor's obligations to the Secured Party shall be reinstated and the security interests created hereby shall remain in full force and effect (or be reinstated) until the Debtor shall have made payment to the Secured Party, which payment shall be due on demand.

8. Miscellaneous.

8.1 Successors and Assigns; Assignment. This Security Agreement shall bind and shall inure to the benefit of the parties hereto and their respective successors and assigns. The Secured Party may assign its rights under this Security Agreement to [REDACTED] (but not to other parties).

8.2 Severability. Should any provision of this Security Agreement be found to be void, invalid or unenforceable by a court or panel of arbitrators of competent jurisdiction, that finding shall only affect the provisions found to be void, invalid or unenforceable and shall not affect the remaining provisions of this Security Agreement.

8.3 Notices. All notices, requests, demands, or other communications required or permitted hereunder shall in writing and made in the same manner as notices are made under [REDACTED]

8.4 Counterparts. This Security Agreement may be executed in counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

8.5 Governing Law. This Security Agreement shall be construed and enforced in accordance with the laws of the State of Colorado, except that to the extent, if any, that the UCC provides for the application of the law of the Debtor's State, such law shall apply.

8.6 Rules of Construction.

- (i) "Includes" and "including" are not limiting.
- (ii) "Or" is not exclusive.
- (iii) "All" includes "any" and "any" includes "all."

(iv) Where the context requires, the neuter gender shall include the masculine or the feminine, and the singular shall include the plural, and vice-versa.

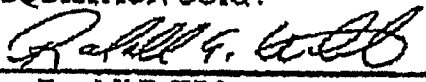
8.7 Integration and Modifications. This Security Agreement and the Subordination Agreement is the entire agreement of the Debtor and Secured Party concerning its subject matter. This Security Agreement may be only be modified or waived and must be made in writing and executed and delivered by the Debtor and the Secured Party.

8.8 Termination. This Agreement shall terminate upon the payment in full of the Obligations. The Secured Party shall execute and deliver such documents, and take such other action (including the authorization of UCC termination statements), that are reasonably requested by the Debtor to evidence such termination.

The parties have signed this Security Agreement as of the day and year first above written.

DEBTOR:

KMC ACQUISITION CORP.

By: 
Name: Randall E. White
Title: President

SECURED PARTY:

KMC PRODUCTS, INC.

By: _____
Name:
Title:

The parties have signed this Security Agreement as of the day and year first above written.

DEBTOR:

KMC ACQUISITION CORP.

By: _____

Name:

Title:

SECURED PARTY:

KMC PRODUCTS, INC.

By: *[Signature]* _____

Name: *Kevin R. Fitzgerald*

Title: *President*